

## **AISAA Board of Directors Meeting Minutes March 12, 1999**

**Welcome and Introductions:** The meeting commenced at 9:40 at Grand Canyon State Electric Cooperative, Phoenix, AZ. A list of attendees is attached.

**Appoint Corporate Secretary:** Marcie Milner was appointed the Corporate Secretary.

**Approve Agenda:** It was suggested that discussion concerning the ACC open meeting held on Thursday, March 11 be the initial topic of conversation and all agreed.

**ACC Open Meeting:** Mike gave an impartial summary – The meeting began with the commissioners' introductions. SRP gave a presentation on a five-phase plan including some detail that was followed by comments from a number of parties including Jack Davis, Kevin Higgins, Tom Delaney, Leland Snook, Larry Huff and Tyler with W AP A. In general, the comments reflected the AISAA is an interim temporary organization that would transition to a regional ISO, Desert STAR. There are organizations within Desert STAR involved in this process and while there is not total agreement between the entities on time scales, the parties seem to be in agreement on the broad concepts.

John Underhill voiced concerns about putting a lot of money into something that is going to go away. His staff is giving him the impression that there will be significant expenditures. Making the assumption that it is a completely different operation, consultants may tell the AISAA to spend money on facilities, staff etc. in order to directly carry out the duties of the AISAA as written in the distributed by-laws such as ATC calculation. In addition, he voiced concerns surrounding the compliance function in that if open access begins April 8, for example, the AISAA won't be in a position to monitor. Therefore, the effected utilities would have to provide the services under the protocols and be trusted to do the right thing. SRP wants to be squeaky clean considering they would be providing services until the AISAA can handle dispute resolution even on a minimal basis.

Tom Delaney voiced concerns that SRP's five-phase plan does not incorporate all of the work that's been done to date. The core point is that the ISA and ISO are the forums in which we are attempting to coordinate our efforts. His concern is that SRP's representatives may not be empowered to agree or disagree which may negate it as a viable process. If SRP's concern is budget constraints, the board has a fiduciary responsibility to live within its budget. The duties can be relegated back to control areas with oversight and/or acquiring turnkey services, but the AISAA will ultimately determine this. In addressing Johns' concerns, Tom said we are limiting things first by dollars and there will be an auditor that is paid by the AISAA.

Kevin Higgins indicated that the SRP five-phase plan is what was suggested last year when all entities came together to form the AISAA. Originally a number of parties felt the organization should take on more responsibility than did the transmission providers, but the parties came to the middle. His view is that the SRP plan now states that some of

these duties are not AISAA duties. Reviewing it at this point would be going backwards and he would be negotiating against himself because then in effect, SRP has never compromised.

Greg Patterson suggested John attend the operations committee meetings if SRP is experiencing problems with internal communications. In addressing Kevin he indicated there are three things he doesn't want: to have views superimposed on the operating committee, to use an extra system to rewrite the by-laws, and to develop a group to tell Desert STAR how to get their act together. He volunteers to be part of the subcommittee developing an AISAA resolution.

Barry Huddleston agreed that the board has a fiduciary responsibility and will operate within a budget. Additionally offered comments on the transition of the ISA to an ISO to the effect that his preference is rather than having the ISA pick up these duties to quit messing with New Mexico and El Paso in the ISO and get it going in the next 18 months.

Leroy expressed an interest in critically reviewing the five-phase plan to see what things might be pragmatic, i.e. what is in it that makes sense for us or doesn't rather than attempting to deal with it on a generic basis.

Discussions also surrounded the limited existence of the ISA and that an initial state and end state are also being written in the protocols, i.e. what happens when the ISA goes away. In the event an ISO does not develop, the ISA will be prepared to implement the protocols, although the definite intent is to transition to an ISO.

Mike Raezer, as Chair summarized:

*One:* A bullet point resolution could be drawn up by a subcommittee to include; an approximate budget; a capped number of staff, whether hired or contracted out; a sunset plan to move into the ISO; and. the duties of the ISA as outlined in the by-laws distributed at the ACC Open Meeting including language that the ISA will be responsible for these duties either directly or indirectly.

*Two:* SRP's five phase plan; a critical review to determine if there was anything of substance the AISAA could/could not incorporate could be delegated to the Director.

**Repayment Agreement:** Pat Cooper indicated the recapitalization agreement and promissory note had been distributed among the parties. APS had agreed to everything to-date with the exception of the most recent changes that they had not yet commented on. SRP, AEPCO and TEP are all signing off on the edition. Citizens has not yet agreed to any of it. Kevin made the observation that there might be a fundamental misunderstanding in the budget. He understood the \$600,000 figure to be start-up costs but not the 1999 budget as it could be conceivably higher. Dennis Delaney understood this figure to be the total 1999 budget as per the January 25 board meeting. Tom Delaney thought we were labeling it as at-risk money and that it was the budget for 1999 but that it was not precluded from being higher. Larry clarified that the AISAA was to draft

agreements designating a commitment for specific expenses (at-risk start-up NOT the budget) not to exceed \$600,000 each of the two years as funds are needed. Mike indicated that one of the duties of the director will be to present the board with a business plan to include an implementation strategy. Pat agreed to redraft and circulate among counsel. Regardless of the open-access date, Tom Delaney inquired as to how comfortable people were with as-needed funds as opposed to up-front. SRP and AEPCO indicated they were prepared to pay the money up front and TEP will check. Tom made a motion to ask for the funds upfront, Dennis seconds and it was unanimously carried.

**AISAA Principles:** Dave Areghini had submitted revised principles and Mike asked if discussion was necessary given the morning discussion. Larry moves to table the discussion until the next meeting. Comments reflected interest in discussing it, however, all agreed to include it in the next meeting agenda.

**Meeting Minutes:** Minutes from the January 15, February 5 and February 19 board meetings were up for approval. Discussion surrounding the February 19 meeting included comments on the revisions. All revisions submitted were terminology and spelling with two exceptions: First, additional detail in what the board had requested from the operations committee on ACC rule review were included; second, comments from SRP describing additional discussion on the energy imbalance proposal in the operating committee were not included as there were discrepancies. Several people including Tom, Kevin and Mike did not recall the revision being discussed per David's submission. Tom moved to approve the minutes from February 19, Larry seconds the motion, all in favor with the exception of David Murphy who opposed. Minutes from January 15 and February 5 will be on the agenda for the next meeting.

**Budget and Finance Committee Report:** David Murphy distributed an income and expense statement. \$250 in dues was received from Reliant Energy. There is currently \$8,500 in the bank, a bill was received from Childers for \$4,600 and David will pay it if the board approves. We have a monthly \$2,400 D&O insurance expense going forward and we are running out of money. Everyone agrees we need to get the recapitalization agreements completed. Tom requested detail on the \$4,600. LeRoy said the bill accounted for meetings held, D&O insurance, the facilities agreement, the employment agreement and opinions concerning the D&O insurance. Going forward we will request them to work on the employment agreement and to bless the recapitalization agreements. David asked if we needed to have them draw up a D&O termination letter as they require 30 day notice, but no determination was made. Dennis moved to pay the legal fees, Larry seconds and it is unanimously carried.

**Regulatory Oversight and Operating Committee Report:** Leroy indicated there was no report from Regulatory Oversight. Kevin said there has been significant progress on the scheduling and emergency operations protocols and they are pretty well developed. They are currently in the middle of a revisit to the must run generation protocol although they've made substantial progress on conceptual design. The energy imbalance subgroup met after the last operations committee meeting and they are attempting to iron out energy imbalance issues. The subgroup will come back to the operating committee with

a recommended protocol for consideration and to the extent possible it will be included in the protocol that the board approves. With respect to the board's request the committee review the ACC rules, with the exception of SRP, the committee agreed that there wasn't time to conduct a comprehensive review. To the extent that they have comment, it is the same as the recommendation that was put into the original letter to Rudibaugh. Discussion concerning whether or not the committee and/or board should comment included the following: Barry felt to the extent that an organization like the ACC is adopting rules that are not consistent with the AISAA by-laws, it is appropriate that we point out those inconsistencies as a board. Although Dennis and David disagreed, Kevin indicated to keep in mind that the ACC had asked the committee to comment. Tom feels the board has a fiduciary responsibility to uphold the by-laws and represent their respective entities and asks if the group is willing to entertain comments dealing with the discrepancies. LeRoy said we need a call for action on the extent to which a body such as an operating committee should proceed to state the policy position of the AISAA to an agency that has jurisdiction over its members. Kevin agrees with LeRoy that a recommendation should come from the board unless there is a time critical element and in that instance the issue must be unanimous and not technical in nature -only on those two conditions. Mike, as Chairman, asked the committee to bring the opposition and thorough and complete responses on this issue for a board vote in the next meeting. Kevin continued with his report and said that one of the issues that keeps coming up in writing the protocols is that it's necessary that people understand what document takes precedent in the event there is a discrepancy between individually filed tariffs and the AISAA protocols. A suggestion was made that one way to handle it would be to have the AISAA have a single tariff for retail access which would then be referenced in the open access tariffs of the transmission providers. SRP did not feel comfortable buying into that single tariff notion but the other transmission providers, TEP, APS and AEPCO agreed that it would be a useful model. Prior to this suggestion, the transmission providers took the position that their tariff took precedent over the OATT. This is not action that is being brought to the board for approval, Kevin just wanted the board to begin thinking about it. With respect to human resources Larry indicated that when the budget permits, he has the facilities agreement ready.

**Next Meeting:** The next board of directors meeting was scheduled for March 26 at Grand Canyon State Electric Cooperative and April 16 was proposed for the following meeting. Elizabeth Story went on record to say that stating when the next meeting will be at the board of directors meeting does not constitute 30 day notice to the members.

The executive session followed and the meeting adjourned at approximately 2:15 p.m.